Disclosure obligations regarding capital adequacy

Basel III (Pillar 3) disclosure, BCGE consolidated accounts at 31.12.2016

A. Eligible and required capital

Banque Cantonale de Genève publishes hereunder the regulatory statements regarding capital adequacy in accordance with Basel III standards.

According to FINMA's Basel III circulars, several methods are available for calculating capital adequacy:

- internal ratings based approach (IRB) method
- standard Swiss method
- simplified method.

The capital required is calculated to cover the credit risk, the market risk and the operational risk.

Banque Cantonale de Genève applies the standard Swiss approach, otherwise known as SA-CH, for the regulatory disclosures of credit risk and the standard approach for market risk and operational risk.

There is no difference between the method used for accounting consolidation and that used for regulatory consolidation.

The scope of consolidation is identical to that described in the Bank’s annual report. It is identical to that of 2015.

There is no restriction preventing transfers of money or equity within the group.

Composition of the eligible regulatory capital

a) Transition (in CHF thousands)

Balance sheet	According to period end
Assets	
Liquid assets	3,359,672
Amounts receivable from banks	648,223
Amounts due from securities financing transactions	-
Amounts due from clients	4,606,629
Amounts due secured by mortgages	10,366,470
Trading operations	41,667
Positive replacement values of derivative financial instruments	19,284
Other financial instruments measured at fair value	-
Financial investments	1,831,681
Accruals and deferrals	44,188
Investments in participations	23,955
Tangible fixed assets	133,759
Other assets	317,164
Total assets	21,392,692
Borrowed capital	
Amounts due to banks	2,349,168
Liabilities arising from securities financing transactions	1,031,357
Liabilities arising from client deposits	13,233,386
Liabilities arising from trading operations	1,068
Negative replacement values of derivative financial instruments	19,594
Medium-term bonds	5,431
Bonds and loans issued by central mortgage and loans	3,081,245
Accruals and deferrals	82,732
Other liabilities	210,963
Provisions	15,481
Total borrowed capital	20,030,425
of which subordinated liabilities eligible as Tier 2 capital	65,279
of which subordinated liabilities eligible as Additional Tier 1 capital (AT1)	108,280
Equity	
Reserves for general banking risks	160,000
Share capital	360,000
of which eligible as CET1	360,000
Legal reserves/optional reserves/profits (losses) brought forward and for the period	854,149
(Treasury shares)	-11,882
Sub-total of shareholders' equity	1,362,267
Total eligible regulatory capital (including AT1 and Tier2)	1,535,825

* : includes future expected dividends

Eligible regulatory capital, whose value is determined in accordance with the directives governing the preparation of financial statements (Circ.-FINMA 15/01), comprises core capital (*Tier 1: CET1 + AT1*) and supplementary capital (*Tier 2*).

Participations that are consolidated neither fully nor proportionally	Type of processing
ACT Visa Inc	Weighting

b) Presentation of the eligible regulatory capital (in CHF thousands)

		Net amounts (after taking into account the transitional provisions)
Core Equity Tier 1 capital (CET1)		
1	Issued share capital paid-in, eligible in full	360,000
2	Retained earnings, incl. reserves for general banking risks / profits (losses) brought forward and for the period	718,557
3	Capital reserves and reserves for foreign currencies (+/-)	295,592
6	= Core Equity Tier 1, prior to adjustments	1,374,149
16	Net long positions in own CET 1 instruments	-11,882
28	= Sum of CET1 adjustments	-11,882
29	= Net core Tier 1 capital	1,362,267
Additional core Tier 1 capital (AT1)		
30	Issued and paid-in instruments, eligible in full	108,280
44	= Additional net core capital (net AT1)	108,280
45	= Core capital (net Tier 1)	1,470,547
Additional Tier 2 capital (T2)		
46	Issued and paid-in instruments, eligible in full	39,096
50	Value adjustments, provisions and write-offs due to prudence; statutory reserves for financial investments	26,183
51	= T2 capital prior to adjustments	65,279
58	= Net T2 capital	65,279
59	= Total regulatory capital (net T1 & T2)	1,535,826
60	Sum of risk-weighted positions	11,174,332
Regulatory-capital ratios		
61	CET1 ratio (line no.29 as of risk-weighted positions)	12.19%
62	T1 ratio (line no.45 as % of risk-weighted positions)	13.16%
63	Ratio regarding the regulatory capital (line no.59 as % of risk-weighted positions)	13.74%
64	Requirements according to transitional provisions regarding the CAO (minimum requirements + capital buffer + countercyclical buffer) plus the capital buffer for systematically important banks as per the Basel guidelines (as % of the risk-weighted positions)	5.66%
65	Of which capital buffers according to CAO (as % of the risk-weighted positions)	0.625%
66	Of which countercyclical buffer (as % of the risk-weighted positions)	0.54%
68	Available CET1 to cover the minimum and buffer requirements, after deducting AT1 and T2 requirements covered by CET1 (as % of risk-weighted positions)	7.12%
68a	Capital target ratios for CET1 as per the FINMA circ. 2011/12 plus the countercyclical buffer (as % of risk-weighted positions)	8.34%
68b	Available CET1 (as % of risk-weighted positions)	9.54%
68c	"Capital target ratios for T1 as per the FINMA circ. 2011/2 plus the countercyclical buffer (as % of risk-weighted positions)"	10.14%
68d	Available T1 (as % of risk-weighted positions)	11.34%
68e	Regulatory capital target ratios as per the FINMA circ. FINMA 2011/12 plus the countercyclical buffer (as % of risk-weighted positions)	12.54%
68f	Available regulatory capital (as % of risk-weighted positions)	13.21%

The countercyclical buffer stands at 0.54%. This corresponds to the two per cent ratio for positions guaranteed directly or indirectly by property liens on all risk-weighted positions.

	Regulatory threshold ratios[1]	Bank ratios
CET1	7.8%	11.65%
T1	9.6%	12.62%
Total capital	12.0%	13.21%

[1] as per the Finma 2011/02 circular for category 3 banks.

The Bank is classed in FINMA category 3. The ratios obtained well exceed the regulatory thresholds.

Presentation of required capital

	Approach used		Minimum capital requirements (in CHF thousands)
Credit risk	Standard		**783,688**
■ of which foreign exchange risk for equity shares in the banking book		of which	3,464
Risks not connected with counterparties	Standard		**58,819**
Market risk	Standard		**3,113**
■ of which interest-rate instruments (general and specific market risk)		of which	408
■ of which equity shares		of which	95
■ of which foreign currencies and precious metals		of which	2,557
■ of which commodities		of which	53
Operational risk	Standard		**48,327**
Total			**893,947**

B. Credit risk

The following four tables show the credit exposures from four different angles. The figures presented tie in with sections 01 to 07 of the "Capital Adequacy reporting form in the context of Basel 3" report from the SNB.

Distribution according to counterparty or business sector

The table below shows the exposures by type of counterparty from the Basel III angle. The amounts, on- and off-balance sheet, correspond to the credit exposure before application of credit conversion factors, without taking into account any individual value adjustments and before application of risk mitigation measures.

Credit exposure (at closing) [1 2]	Central governments and central banks	Banks and securities dealers	Other institutions	Companies	Retail clients	Equity investments and shares in collective capital investments	Others	Total
Balance sheet/receivables								
Amounts due from securities financing transactions	-	-	-	-	-	-	-	-
Amounts receivable from banks	-	632,603	8,199	5,444	-	-	-	646,246
Amounts due from clients	1,276,278	3,885	-	3,083,931	254,565	-	707	4,619,366
Amounts due secured by mortgages	1,106,032	4,728	-	4,015,763	5,563,769	-	-	10,690,293
Positive replacement values of derivative financial instruments	-	408	-	-	-	-	-	408
Financial investments / debt securities	802,111	211,720	551,412	230,832	-	8,121	-	1,804,196
Other assets	-	268,606	-	110	-	-	11,384	280,099
Other positions [3]	11,522	4,748,735	-	46,921	1,300	1,329	17,640	4,827,447
Total for period under review [4]	**3,195,943**	**5,870,685**	**559,611**	**7,383,001**	**5,819,635**	**9,450**	**29,730**	**22,868,056**
Total previous period [4]	**3,024,222**	**5,429,088**	**537,916**	**6,549,064**	**5,646,846**	**12,226**	**20,591**	**21,219,952**
Off-balance sheet								
Contingent liabilities	336	185,637	-	585,266	14,900	-	-	786,139
Irrevocable commitments	7,020	69,873	-	411,885	24,826	-	987	514,591
Liabilities for margining and re-margining calls	-	76,820	-	-	-	-	37,331	114,151
Approved credit line	-	7,929	-	104,675	-	-	-	112,604
Other positions	503,504	56,683	-	848,827	117,540	-	18	1,526,571
Total for period under review [4]	**510,860**	**396,942**	**-**	**1,950,653**	**157,266**	**-**	**38,336**	**3,054,056**
Total previous period [4]	415,428	414,904	-	1,579,782	129,582	-	17,785	2,557,482

[1] in CHF thousands

[2] : main categories of credit exposures

[3] : including Cash and Liabilities due from securities financing transactions

[4] : as per the "Capital adequacy reporting form in the context of Basel 3" report

Credit risk mitigation

The table below shows the credit exposures according to the type of risk mitigation measure from the Basel III angle. The amounts correspond to the credit exposure after application of credit conversion factors and having taken into account any individual value adjustments. With the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures.

Credit exposures/default risks(at closing) [1, 2]	Secured with recognised collateral [3]	Secured with guarantees and credit derivatives	Secured with property liens and other credit exposure	Total
Governments and central banks	-	-	3,213,509	3,213,509
Banks and securities dealers	1,031,357	39,910	4,980,490	6,051,757
Other institutions	-	-	559,611	559,611
Companies	316,496	471,186	7,012,557	7,800,239
Private clients and small businesses	111,994	80,814	5,670,557	5,863,365
Other positions	-	-	75,937	75,937
Derivatives	-	-	67,764	67,764
Total for period under review [4]	**1,459,847**	**591,910**	**21,580,425**	**23,632,182**
Total previous period [4]	1,284,694	509,560	20,211,186	22,005,440

[1] in CHF thousands

[2] with the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures

[3] including accounts and securities. The bank uses risk mitigation based on the global approach

[4] : as per the "Capital adequacy reporting form in the context of Basel 3" report

Segmentation of credit risk

The table below shows the credit exposures by type of risk weighting from the Basel III angle. The amounts correspond to the credit exposure after application of credit conversion factors and having taken into account any individual value adjustments. With the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures.

Credit exposures/default risks after credit risk-mitigating actions [1, 2]	0%	25%	35%	50%	75%	100%	125%	150%	>= 250 %	Total
Governments and central banks	517,415	1,108,665	684,181	891,727	-	11,522	-	-	-	3,213,509
Banks and securities dealers	3,723,519	1,359,242	-	673,999	47,624	168,861	18,067	-	60,445	6,051,757
Other institutions	-	559,611	-	-	-	-	-	-	-	559,611
Companies	5,402	131,622	2,315,331	89,830	1,401,924	3,825,581	-	2,477	28,071	7,800,239
Private clients and small businesses	-	-	4,914,439	15,693	826,734	99,682	-	6,818	-	5,863,365
Other positions	-	-	-	-	-	66,487	-	-	9,450	75,937
Derivatives	-	47,851	-	4,771	1,127	14,015	-	-	-	67,764
Total for period under review [3]	**4,246,337**	**3,206,992**	**7,913,950**	**1,676,019**	**2,277,409**	**4,186,148**	**18,067**	**9,295**	**97,965**	**23,632,182**
Total previous period [3]	4,441,386	2,804,302	7,502,182	1,551,221	2,291,178	3,316,848	19,453	9,320	69,550	22,005,440

[1] in CHF thousands

[2] with the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures

[3] : as per the "Capital adequacy reporting form in the context of Basel 3" report

Geographic credit risk

The table below shows the credit exposures, broken down by geographic region. The amounts, on- and off-balance sheet, correspond to the credit exposure before application of credit conversion factors, without taking into account any individual value adjustments and before applying risk mitigation measures.

Credit exposure (at closing) [1 2]	Switzerland	Europe	North America	South America	Asia/Oceania	Others	Total
Balance sheet/receivables							
Amounts due from securities financing transactions	-	-	-	-	-	-	-
Amounts receivable from banks	199,408	130,081	8,469	25,272	261,482	21,534	646,246
Amounts due from clients	3,007,743	1,207,695	29,426	21,593	202,221	150,688	4,619,366
Amounts due secured by mortgages	8,843,942	1,605,089	77,759	28,342	116,716	18,445	10,690,293
Positive replacement values of derivative financial instruments	-	408	-	-	-	-	408
Financial investments / debt securities	1,343,045	356,739	80,594	5,044	13,212	5,563	1,804,196
Other assets	279,417	682	-	-	-	-	280,099
Other positions [3]	4,118,905	708,543	-	-	-	-	4,827,447
Total for period under review [4]	**17,792,459**	**4,009,236**	**196,248**	**80,251**	**593,632**	**196,230**	**22,868,056**
Total previous period [4]	16,841,781	3,531,646	180,633	118,821	402,032	145,039	21,219,952
Off-balance sheet							
Contingent liabilities	243,859	121,503	24,558	42,093	304,838	49,289	786,139
Irrevocable commitments	386,441	127,869	-	-	-	280	514,591
Liabilities for margining and re-margining calls	114,151	-	-	-	-	-	114,151
Approved credit line	40,617	12,438	-	-	57,013	2,536	112,604
Other positions	1,409,079	81,089	1,660	3,587	27,466	3,691	1,526,571
Total for period under review [4]	**2,194,147**	**342,900**	**26,218**	**45,679**	**389,317**	**55,796**	**3,054,056**
Total previous period [4]	1,892,406	421,931	1,806	25,361	159,315	56,663	2,557,482

1 in CHF thousands

2 : main categories of credit exposures

3 : including Cash and Liabilities due from securities financing transactions

4 : as per the "Capital adequacy reporting form in the context of Basel 3" report

Presentation of doubtful customer loans by geographic region

Credit exposures [1]	Doubtful client loans (gross amount)	Individual value adjustments
Switzerland	55,350	43,032
Europe	31,668	25,565
North America	2,398	1,708
South America	23	21
Asia	4	1
Others	35,372	14,233
Total for period under review	**124,815**	**84,560**
Total previous period	**149,611**	**100,725**

[1] in CHF thousands

Presentation of most important characteristics of regulatory-capital instruments

		Instrument 1	Instrument 2
1	Issuer 1	BCGE	BCGE
2	Identification (e.g. ISIN)	13072087/ISIN CH0130720870	24569155/ISIN CH0245691552
3	Law applicable to instrument	Sw itzerland/Geneva	Sw itzerland/Geneva
	Regulatory treatment		
4	Consideration in the Basel III transitional period (CET1/AT1/T2)	T2	AT1
5	Consideration after the expiry of the Basel III transitional period (CET1 AT1/T2)	T2	AT1
6	Eligibility at stand-alone / group stand-alone and group levels	Stand-alone and group	Stand-alone and group
7	Equity shares / debt securities / hybrid instruments / other instruments	Debt	Hybrid instrument (subordinated loan, w ith conditional w rite-off)
8	Amounts eligible for regulatory capital (according to last report submitted to SNB)	39 million	108 million
9	Instrument's nominal value	CHF 200 million	CHF 110 million
10	Accounting items	Loans	Loans
11	Original date of issue	07.11.2011	04.07.2014
12	Unlimited or w ith expiry date	With an expiry date	Unlimited
13	Original date of maturity	07.11.2018	None
14	May be cancelled by issuer (w ith prior approval of regulatory authorities)	None	Yes
15	May be terminated any time / under certain circumstances / repayment amount	Possible before expiry w ith prior agreement of the FINMA if a tax issue is involved	04.02.2020 Redemption amount: full outstanding amount of the issue, no partial redemption
16	Early redemption dates, if applicable	None	Annually at each interest maturity date on 04.02
	Coupons/dividends		
17	Fixed / variable / initially fixed then converted to variable / initially variable then converted to fixed	Fixed	Fixed
18	Nominal coupon and reference indices, if any	3.13%	2.875% until 04.02.2020, then re-fixed every 5 years on the basis of the 5-year CHF mid sw ap rate plus 243.7 basis points for the risk premium
19	Existence of a payment stop for dividends (if dividends on the instrument are w aived, dividends on the normal share w ill be omitted as w ell)	None	Yes
20	Payment of interest/dividends: entirely/partially discretionary/ mandatory	Payment of interest mandatory	Payment of interest entirely discretionary
21	Existence of a clause for increasing the interest rate (*step up*) or another redemption incentive	None	None
22	Non-cumulative	None	Non-cumulative
23	Convertible or non-convertible	None	Non-convertible
24	If convertible, trigger for conversion (incl. PONV)	None	None
25	If convertible: in full in all cases / in full or partially / partially in all cases	None	None
26	If convertible, conversion rate	None	None
27	If convertible, conversion mandatory/optional	None	None
28	If convertible, type of instrument to be converted into	None	None
29	If convertible, issuer of instrument to be converted into	None	None
30	Depreciation characteristics	None	Yes
31	Trigger for depreciation	None	Exceeding the 5.125% threshold for CET1
32	In full/partially	None	In full or partially. To get back to the trigger threshold (5.125%)
33	Permanent/temporary	None	Permanent
34	In case of temporary depreciation, allocation mechanism	None	None
35	Hierarchy of debt in case of liquidation (alw ays name the instrument w ith the ranking just above)	None	Subordination ranking below Tier 2 instruments, pari passu w ith other Tier 1 instruments and above CET1. (Tier 2) (Tier 2)
36	Existence of characteristics w hich could jeopardise full recognition under the Basel III regime	None	None
37	If yes, w hich ones?	None	None

Risk-weighted positions on the basis of external ratings

The table below shows the credit exposures by type of risk weighting from the Basel III angle, indicating whether external agency ratings are taken into account or not. The amounts correspond to the credit exposure after application of credit conversion factors and having taken into account any individual value adjustments.

Risk-weighted positions on the basis of external ratings [1]	Rating	0%	25%	50%	75%	100%	150%
Governments and central banks	With rating [2]	517,415	349,136	120,000	-	-	-
	Without rating	-	759,530	771,727	-	11,522	-
Sub-total		517,415	1,108,665	891,727	-	11,522	-
Public-sector entities	With rating	[redacted]	559,611	-	-	-	-
	Without rating	[redacted]	-	-	-	-	-
Sub-total		[redacted]	559,611	-	-	-	-
Banks and securities dealers	With rating	[redacted]	842,485	179,078	-	168,861	-
	Without rating	[redacted]	564,608	499,692	47,624	-	-
Sub-total		[redacted]	1,407,093	678,770	47,624	168,861	-
Companies	With rating	[redacted]	109,187	84,777	1,341,265	828,950	7
	Without rating	[redacted]	22,435	5,053	60,659	3,010,629	2,471
Sub-total		[redacted]	131,622	89,830	1,401,924	3,839,579	2,477

[1] in CHF thousands

[2] Standard & Poors, Moody's, Fitch.

Leverage ratio

Comparison between balance sheet assets and overall exposure in relation to the leverage ratio [1]	
Total assets as per the published financial statements	21,392,692
Adjustments relating to investments in banking, financial, insurance and commercial entities, which are consolidated for accounting purposes, but which are not included in the scope of regulatory consolidation (art.6 to 7 FINMA Circular 15/3) and the related adjustments to assets which are deducted from core capital (art. 16 to 17 FINMA Circ 15/3)	-11,882
Adjustments relating to fiduciary assets, figuring in the balance sheet in accordance with accounting requirements, but not taken into account in the leverage ratio measurement (art. 15 FINMA Circ 15/3)	0
Adjustments relating to derivatives (art.21 to 51 FINMA Circ 15/3)	7,447
Adjustments relating to securities financing transactions (SFT) *(securities financing transactions)* (art.52 to 73 FINMA Circ 15/3)	888
Adjustments relating to off-balance sheet operations (conversion of off-balance sheet exposures into credit equivalents) (art. 74 to 76 FINMA Circ 15/3)	897,080
Other adjustments	
Overall exposure subject to the leverage ratio	**22,286,225**

Detailed presentation of the leverage ratio	
Total balance sheet exposures	**21,153,549**
Balance sheet operations (excluding derivatives and SFT, but including collateral) (art.14 to 15 FINMA Circ 15/3)	21,165,432
(Assets deducted from core capital taken into account) (art.7 and 16 to 17 FINMA Circ 15/3)	-11,882
Total exposures in derivatives	**234,708**
Positive replacement values relating to transactions in derivatives, including those concluded with CCPs (after taking into account margin payments and netting agreements as per art. 22 to 23 and 34 to 35 FINMA Circ 15/3)	142,889
Add-ons relating to all derivatives (art. 22 and 25 FINMA Circ 15/3)	91,819
Total exposures relating to securities financing transactions	**888**
Gross assets relating to securities financing transactions without a netting agreement (except in the case of novation with a QCCP, cf. art.57 FINMA Circ 15/3), after those that have been booked as sales have been reintegrated (art.69 FINMA Circ 15/3), and after the positions mentioned in art.58 FINMA Circ 15/3 have been deducted.	0
Exposures to SFT counterparties (art.63 to 68 FINMA Circ 15/3)	888
Total off-balance sheet exposures	**897,080**
Off-balance sheet exposures based on gross nominal values, meaning before the use of factor of conversion into credit equivalents	2,854,696
(Adjustments relating to the conversion into credit equivalents) (art.75 to 76 FINMA Circ 15/3)	-1,957,616
Core capital (Tier 1, art. 5 FINMA Circ 15/3)	**1,470,547**
Overall exposure	**22,286,225**
Leverage ratio (art. 3 to 4 FINMA Circ 15/3)	**6.60%**

[1] in CHF thousands

C. Risk of interest rate changes in the banking book

Strategy and procedures

The Board of Directors decides on the principles governing risk management and the Bank's risk-taking strategy as regards interest rate risks in the banking book. The framework for the management of risks related to interest rates in the banking book is therefore defined in the “Financial Policy” and described in more detail in the bank's “ALM and Liquidity Policy”. The exposure to interest rate risks in the banking book is guided by limits which are validated and revised each year by the Board of Directors. The limits are expressed in the form of:

- limits on the sensitivity of the economic value of equity (value effect)
- limits on the sensitivity of the net interest margin on a year over year basis (revenue effect)

Structure and organisation

The Executive Board is responsible for organising and exercising rates risk management in the banking book. The Executive Board delegates rates risk management in the banking book to the ALM Committee (CALM). This committee, which meets monthly, is chaired by the CEO and comprises four other executives, including the CFO.

Within the Finance and Risk Control Division, risk control over interest rates in the banking book is performed by the Market Risk Section of the Risk Control Department which reports to the CFO. This section is responsible for:

- monthly production of the management report on the rates risk in the banking book and presentation of the interest rate risk profile to the CALM
- monthly production of the report on opportunity interest rates
- defining and maintaining the methodologies, models and management principles in relation to interest rate risk management in the banking book, complying with the “ALM and Liquidity Policy”

Risk assessment

In accordance with the principles set out in FINMA circular 2008/6, interest rate risks are measured each month using both a static approach and a dynamic approach. The families of indicators used are:

- static indicators measuring the sensitivity of the present net value of the banking book:
  - current equity value
  - sensitivity of the value of the equity for parallel rate variations of +/-100 basis points rate duration
  - key rate duration
- dynamic indicators measuring the revenue effect linked to interest rate variations. They establish the sensitivity of the net interest margin based on 8 pre-defined simulation scenarios taking into account interest rate trends for the Swiss franc, the US dollar and the euro, change scenarios involving outstanding loans, while complying with regulatory liquidity constraints and the level of equity required and customer behavioural scenarios.

The benchmark (or replication) portfolio method is the method adopted by the Bank to determine the effective constraint of interest rates on the administered rates of outstanding loans. The Bank calibrates and revises periodically the benchmark portfolios by combining several market interest rates, so as to minimise margin variance between the rate applied to customers and the yield on the benchmark portfolio. The principal assumptions used to determine the risk of changing the interest rate on outstanding loans without deterministic interest rate constraints are:

- an assumption of stability regarding outstanding loans for the amounts due to customers in the form of savings
- an assumption of taking into account a liquid and volatile proportion for the demand liabilities of companies or financial institutions by incorporating a cautious proportion of short-term rate components in the ad hoc benchmark portfolios

Interest rate risks on trading activities represent market risks and are outside the scope of the interest rate risk in the banking book.

Reduction of risks

Implementation of the policy applied in terms of hedging or mitigating the risks of interest rate changes is delegated to the ALM financial sub-committee (SCALM-F) chaired by the Bank's CFO. The SCALM-F is responsible for implementing and following up the CALM's decisions, monitoring market conditions on an ongoing basis and is involved, amongst other things, in the management of strategic hedging operations for the banking book. The most commonly used hedging products are interest rate swaps (IRS). The Bank may use options in the context of hedging the risk of an interest change in the banking book. Options positions on the banking book generated by commercial activities are systematically backed by a direct hedge.

The table below shows the sensitivity (in CHF million) of the economic value of the parent company's equity for a parallel rise of 100 basis points in the interest rate curve.

Breakdown of equity sensitivity by time intervals

In CHF million

	Less than 12 months	From 1 to 4 years	From 4 to 7 years	More than 7 years	Total
31.12.2016	6.1	36.2	-66.3	-116.3	-140.3
31.12.2015	8.3	34.2	-56.0	-133.8	-147.2

Given the Bank's position as at 31.12.2018, only the impact of a rise in rates is shown.

The table below shows the sensitivity (in CHF million) of the parent company's net interest margin for a parallel rise of 100 basis points in the interest rate curve within a one-year time horizon.

Net interest margin for a one-year time horizon

In CHF million

	Net interest margin sensitivity (+100 bp)
31.12.2016	5.9

D. Liquidity risk

Strategy and procedures
The Board of Directors decides on the principles governing liquidity risk management and determines the level of liquidity risk tolerance. Liquidity risk tolerance is expressed through internal alert limits and thresholds based mainly on on- and off-balance sheet structure indicators. The level of these limits is reviewed annually within the framework of the Bank's "ALM and Liquidity Policy" revision.

Structure and organisation
The Executive Board is responsible for organising and operating liquidity risk management. The Executive Board delegates liquidity risk management to the ALM Committee (CALM). This committee, which meets monthly, is chaired by the CEO and comprises four other executives, including the CFO.

Within the Finance and Risk Control Division, control over liquidity risk is performed by the Risk Control Department, which reports to the CFO. This department is responsible for:

- monthly production of the management report on liquidity risk and presentation to the CALM
- defining and maintaining the methodologies, models and management principles in relation to liquidity risk management, within the framework defined in the "ALM and Liquidity Policy"
- daily communication of the parent company's Liquidity Coverage Ratio (LCR) to treasury department

Risk assessment
In accordance with the principles set out in FINMA circular 2015/2, the approaches adopted by the Bank to assess the liquidity risk are:

- internal alert limits and thresholds based mainly on on-and off-balance sheet structure indicators
- maturity concentration ratios of long-term loans
- the Liquidity Coverage Ratio (LCR) assessed on a daily basis for the parent company and on a monthly basis for the group and the parent company
- the Net Stable Funding Ratio (NSFR) assessed on a quarterly basis
- stress tests mainly based on:
  - approaches comparable to those adopted in the context of the liquidity coverage ratio
  - the survival horizon principle

  The stress tests are designed for systemic and/or idiosyncratic scenarios. They take into account the Bank's specificities and foreign currency refinancing.

Liquidity Coverage Ratio *(LCR)*
The Liquidity Coverage Ratio (LCR) is one of the quantitative regulatory standards for liquidity risk management defined in the Basel III Agreement. It came into force on 1st January 2015 and the minimum requirement is 70% for 2016. This minimum requirement will be raised by 10% each year to reach 100% on 1st January 2019. The LCR ratio is an international standard which seeks to ensure that a bank has sufficient unencumbered outstanding High Quality Liquid Assets (HQLA), in the form of cash or other assets which can be converted into cash to cover its liquidity requirements in the case of a liquidity crisis lasting 30 calendar days.

LCR breakdown
In CHF million, BCGE group, average weighted amounts

	T1 2016	*T2 2016*	*T3 2016*	*T4 2016*
	Weighted values	**Weighted values**	**Weighted values**	**Weighted values**
Somme des HQLA	**3,809**	**3,810**	**3,708**	**3,560**
Somme nette des sorties de trésorerie	**3,355**	**3,355**	**3,081**	**2,986**
Ratio de liquidité à court terme LCR (en %)	**114%**	**114%**	**120%**	**119%**

The all-currency LCR ratio of the BCGE group remained stable overall and moves around an average level of 117%. The variability in the all-currency LCR ratio of the BCGE group is mainly due to the variability of net cash outflows.

More than 70% of the high quality liquid assets (HQLA) are made up of assets deposited in clearance accounts with the Swiss National Bank (SNB). The rest is mainly in securities of issuers rated AAA to AA- (Swiss Confederation, central mortgage bond institution, etc.) eligible for refinancing operations with the SNB and in cash held by the Bank.

As regards the concentration of financing sources, the main source of the Bank's refinancing is made of clients' individual and diversified deposits. As at 31.12.2016, the Bank's refinancing was essentially based on:

- client deposits representing more than 60% of liabilities
- bank loans and loans from the Central mortgage-bond institution representing more than 15% of liabilities.

Liquidity outflows as a result of "potential" margin calls are mainly caused by derivative-based interest rate risk hedging operations under CSAs (Credit Support Annex) with bank counterparties.

The LCR level in CHF is significantly higher than that of the LCR covering all currencies, firstly because the HQLA are principally CHF-denominated and, secondly, because the BCGE group must ensure centralised financing for its French subsidiary (mainly in euros) and financing for the global commodity finance business (mainly in USD).

Information regarding the short term liquidity coverage ratio (LCR)

Detailed presentation of the liquidity coverage ratio (LCR) (FINMA circular 2008/22, art 46)
In CHF million, BCGE group.

		Q1 2016		Q2 2016		Q3 2016		Q4 2016	
		Non-weighted values	Weighted values	Non-weighted values	Weighted values	Non-weighted values	Weighted values	Non-weighted values	Weighted values
	High-quality liquid assets (HQLA)								
1	**Total high-quality liquid assets (HQLA)**		**3,809**		**3,810**		**3,708**		**3,560**
	Cash outflows								
2	Retail deposits	9,360	849	9,481	862	9,583	867	9,658	876
3	■ of which stable deposits	2,776	139	2,817	141	2,847	142	2,856	143
4	■ of which less stable deposits	6,584	710	6,663	721	6,736	725	6,802	733
5	Unsecured business-client or wholesale funding	4,636	2,853	4,750	2,914	4,690	2,846	4,704	2,938
6	■ of which operational deposits (all counterparties) and deposits with the central institution of a cooperative bank network	473	116	495	121	474	116	480	117
7	■ of which non-operational deposits (all counterparties)	4,162	2,736	4,255	2,793	4,216	2,730	4,222	2,819
8	■ of which unsecured debt securities	1	1	-	-	-	-	2	2
9	Secured business client or wholesale funding and collateral swaps		-		-		2		2
10	Other cash outflows	1,970	1,298	2,296	1,668	2,032	1,413	2,130	1,458
11	■ of which cash outflows related to derivative exposures and other transactions	1,202	1,174	1,570	1,542	1,310	1,283	1,340	1,313
12	■ of which cash outflows related to loss of funding on asset-backed securities, covered bonds, other structured finance, asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities [The last part of the French sentence has been cut off; presumably it should be "et autres facilités de financement analogues"]	-	-	-	-	-	-	-	-
13	■ of which cash outflows from committed credit and liquidity facilities	769	124	726	125	722	130	791	146
14	Other contractual funding obligations	11	6	56	49	51	19	153	67
15	Other contingent funding obligation	1,504	30	1,791	39	1,929	46	2,084	52
16	**= Total cash outflows**		**5,035**		**5,532**		**5,194**		**5,393**
	Cash inflows								
17	Secured funding transactions (e.g. reverse repo transactions)	87	-	131	-	183	-	67	-
18	Inflows from fully performing exposures	1,070	562	1,242	707	1,584	909	1,865	1,180
19	Other cash inflows	1,118	1,118	1,471	1,471	1,203	1,203	1,227	1,227
20	**= Total cash inflows**	**2,275**	**1,680**	**2,843**	**2,177**	**2,971**	**2,113**	**3,159**	**2,407**
	Adjusted value								
21	**Total HQLA**		**3,809**		**3,810**		**3,708**		**3,560**
22	**Total net cash outflows**		**3,355**		**3,355**		**3,081**		**2,986**
23	**Liquidity Coverage Ratio (LCR) (%)**		**114%**		**114%**		**120%**		**119%**